



BILLING CODE: 3510-DS-P

DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

(A-475-832, A-533-863, A-570-026, A-580-878, A-583-856)

Certain Corrosion-Resistant Steel Products from Italy, India, the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

DATES: Effective date (Insert date of publication in the *Federal Register*).

FOR FURTHER INFORMATION CONTACT: Julia Hancock or Susan Pulongbarit at (202) 482-1394 and (202) 482-4031, respectively (Italy), Alexis Polovina at (202) 482-3927 (India); David Lindgren at (202) 482-3870 (the People's Republic of China (PRC)); David Lindgren at (202) 482-3870 (the Republic of Korea (Korea)); or Brendan Quinn or Paul Stolz at (202) 482-5848 and (202) 482-4474, respectively (Taiwan), AD/CVD Operations, Enforcement and Compliance, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

The Petitions

On June 3, 2015, the Department of Commerce (the Department) received antidumping duty (AD) petitions concerning imports of certain corrosion-resistant steel products (corrosion-resistant steel) from Italy, India, the PRC, Korea, and Taiwan, filed in proper form on behalf of United States Steel Corporation, Nucor Corporation, ArcelorMittal USA, AK Steel Corporation,

Steel Dynamics, Inc., and California Steel Industries, Inc., (Petitioners).¹ The AD petitions were accompanied by five countervailing duty (CVD) petitions.² Petitioners are domestic producers of corrosion-resistant steel.³

On June 9, 2015, and June 10, 2015, the Department requested additional information and clarification of certain areas of the Petitions.⁴ Petitioners filed responses to these requests on June 12, 2015.⁵

In accordance with section 732(b) of the Tariff Act of 1930, as amended (the Act), Petitioners allege that imports of corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan, are being, or are likely to be, sold in the United States at less-than-fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States. Also, consistent with section 732(b)(1) of the Act, the Petitions are accompanied by information reasonably available to Petitioners supporting their allegations.

The Department finds that Petitioners filed these Petitions on behalf of the domestic industry because Petitioners are interested parties as defined in section 771(9)(C) of the Act. The Department also finds that Petitioners demonstrated sufficient industry support with respect to

¹ See Petitions for the Imposition of Antidumping Duties on Imports of Certain Corrosion-Resistant Steel Products from Italy, India, the PRC, Korea, and Taiwan, dated June 3, 2015 (the Petitions).

² See the Petitions for the Imposition of Countervailing Duties on Imports of Certain Corrosion-Resistant Steel Products from Italy, India, the PRC, Korea, and Taiwan, dated June 3, 2015.

³ See Volume I of the Petitions, at 2, and Exhibit I-1.

⁴ See Letter from the Department to Petitioners entitled “Re: Petitions for the Imposition of Antidumping Duties on Imports of Certain Corrosion-Resistant Steel Products from Italy, India, the PRC, Korea, and Taiwan, and Countervailing Duties on Imports of Certain Corrosion-Resistant Steel Products from Italy, India, the PRC, Korea, and Taiwan: Supplemental Questions” dated June 9, 2015, and June 10, 2015; (General Issues Supplemental Questionnaire), and Letters from the Department to Petitioners entitled “Re: Petition for the Imposition of Antidumping Duties on Imports of Certain Corrosion-Resistant Steel Products from {country}: Supplemental Questions” on each of the country-specific records, dated June 9, 2015.

⁵ See Response to the Department’s June 9, 2015 Questionnaire Regarding Volume I of the Petitions for the Antidumping and Countervailing Duties, dated June 12, 2015 (General Issues Supplement); *see also* Response to the Department’s June 9, 2015 Questionnaires Regarding Volumes II, IV, VI, VIII, X, of the Petitions for the Antidumping and Countervailing Duties, dated June 12, 2015.

the initiation of the AD investigations that Petitioners are requesting.⁶

⁶ See the “Determination of Industry Support for the Petitions” section below.

Periods of Investigation

Because the Petitions were filed on June 3, 2015, the periods of investigation (POI) are, pursuant to 19 CFR 351.204(b)(1), as follows: April 1, 2014, through March 31, 2015, for Italy, India, Korea, and Taiwan, and October 1, 2014, through March 31, 2015, for the PRC.

Scope of the Investigations

The product covered by these investigations is corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan. For a full description of the scope of these investigations, *see* the “Scope of the Investigations,” in Appendix I of this notice.

Comments on Scope of the Investigations

During our review of the Petitions, the Department issued questions to, and received responses from, Petitioners pertaining to the proposed scope to ensure that the scope language in the Petitions would be an accurate reflection of the products for which the domestic industry is seeking relief.⁷

As discussed in the preamble to the Department’s regulations, we are setting aside a period for interested parties to raise issues regarding product coverage (scope). The period for scope comments is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination. If scope comments include factual information (*see* 19 CFR 351.102(b)(21)), all such factual information should be limited to public information. All such comments must be filed by 5:00 p.m. Eastern Daylight Time (EDT) on Tuesday, July 14, 2015, which is 21 calendar days from the signature date of this notice. Any rebuttal comments, which may include factual information, must be filed by 5:00 p.m. EDT on Friday, July 24, 2015, which is 10 calendar days after the initial comments.

⁷ *See* General Issues Supplemental Questionnaire; *see also* General Issues Supplement.

The Department requests that any factual information the parties consider relevant to the scope of the investigations be submitted during this time period. However, if a party subsequently finds that additional factual information pertaining to the scope of the investigations may be relevant, the party may contact the Department and request permission to submit the additional information. All such comments must be filed on the records of each of the concurrent AD and CVD investigations.

Filing Requirements

All submissions to the Department must be filed electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS).⁸ An electronically filed document must be received successfully in its entirety by the time and date when it is due. Documents excepted from the electronic submission requirements must be filed manually (*i.e.*, in paper form) with Enforcement and Compliance's APO/Dockets Unit, Room 18022, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, and stamped with the date and time of receipt by the applicable deadlines.

Comments on Product Characteristics for AD Questionnaires

The Department requests comments from interested parties regarding the appropriate physical characteristics of corrosion-resistant steel to be reported in response to the Department's AD questionnaires. This information will be used to identify the key physical characteristics of the subject merchandise in order to report the relevant factors and costs of production accurately as well as to develop appropriate product-comparison criteria.

⁸ See *Antidumping and Countervailing Duty Proceedings: Electronic Filing Procedures; Administrative Protective Order Procedures*, 76 FR 39263 (July 6, 2011) for details of the Department's electronic filing requirements, which went into effect on August 5, 2011. Information on help using ACCESS can be found at <https://access.trade.gov/help.aspx> and a handbook can be found at <https://access.trade.gov/help/Handbook%20on%20Electronic%20Filing%20Procedures.pdf>.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate list of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as: 1) general product characteristics and 2) product-comparison criteria. We note that it is not always appropriate to use all product characteristics as product-comparison criteria. We base product-comparison criteria on meaningful commercial differences among products. In other words, although there may be some physical product characteristics utilized by manufacturers to describe corrosion-resistant steel, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the order in which the physical characteristics should be used in matching products. Generally, the Department attempts to list the most important physical characteristics first and the least important characteristics last.

In order to consider the suggestions of interested parties in developing and issuing the AD questionnaires, all comments must be filed by 5:00 P.M. EDT on Tuesday, July 14, 2015, which is 21 calendar days from the signature date of this notice. Any rebuttal comments must be filed by 5:00 P.M. EDT on Tuesday, July 21, 2015. All comments and submissions to the Department must be filed electronically using ACCESS, as explained above, on the records of the Italy, India, the PRC, Korea, and Taiwan less-than-fair-value investigations.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of

the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A); or (ii) determine industry support using a statistically valid sampling method to poll the “industry.”

Section 771(4)(A) of the Act defines the “industry” as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether “the domestic industry” has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product,⁹ they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department’s determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law.¹⁰

Section 771(10) of the Act defines the domestic like product as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.” Thus, the reference point from which the domestic like product analysis begins is “the article subject to an investigation” (*i.e.*, the class or kind of merchandise

⁹ See section 771(10) of the Act.

¹⁰ See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001) (citing *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff’d* 865 F.2d 240 (Fed. Cir. 1989)).

to be investigated, which normally will be the scope as defined in the Petitions).

With regard to the domestic like product, Petitioners do not offer a definition of the domestic like product distinct from the scope of the investigations. Based on our analysis of the information submitted on the record, we have determined that corrosion-resistant steel constitutes a single domestic like product and we have analyzed industry support in terms of that domestic like product.¹¹

In determining whether Petitioners have standing under section 732(c)(4)(A) of the Act, we considered the industry support data contained in the Petitions with reference to the domestic like product as defined in the “Scope of the Investigations,” in Appendix I of this notice. Petitioners provided their shipments of the domestic like product in 2014, and estimated total shipments of the domestic like product for the entire domestic industry using data from the American Iron and Steel Institute and the ITC.¹² To establish industry support, Petitioners compared their own shipments to estimated total shipments of the domestic like product for the entire domestic industry.¹³ Because data regarding total production of the domestic like product are not reasonably available to Petitioners and Petitioners have established that shipments are a reasonable proxy for production, we have relied on the shipment data provided by Petitioners for

¹¹ For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: Certain Corrosion-Resistant Steel Products from the People’s Republic of China (PRC AD Initiation Checklist), at Attachment II, Analysis of Industry Support for the Antidumping and Countervailing Duty Petitions Covering Certain Corrosion-Resistant Steel Products from the People’s Republic of China, India, Italy, the Republic of Korea, and Taiwan (Attachment II); Antidumping Duty Investigation Initiation Checklist: Certain Corrosion-Resistant Steel Products from India (India AD Initiation Checklist), at Attachment II; Antidumping Duty Investigation Initiation Checklist: Certain Corrosion-Resistant Steel Products from Italy (Italy AD Initiation Checklist), at Attachment II; Antidumping Duty Investigation Initiation Checklist: Certain Corrosion-Resistant Steel Products from the Republic of Korea (Korea AD Initiation Checklist), at Attachment II; and Antidumping Duty Investigation Initiation Checklist: Certain Corrosion-Resistant Steel Products from Taiwan (Taiwan AD Initiation Checklist). These checklists are dated concurrently with this notice and on file electronically via ACCESS. Access to documents filed via ACCESS is also available in the Central Records Unit, Room B8024 of the main Department of Commerce building.

¹² *See* Volume I of the Petitions, at 2-3 and Exhibits I-3 to I-5; *see also* General Issues Supplement, at 12-14 and Exhibits Supp. I-3, Supp. I-40 to Supp. I-42, and Supp. I-45.

¹³ *Id.*

purposes of measuring industry support.¹⁴

On June 12, 2015, we received a submission from Thomas Steel Strip Corporation (Thomas) and Apollo Metals, Ltd. (Apollo), domestic producers of corrosion-resistant steel. In the submission, Thomas and Apollo state that they support the Petitions for the imposition of antidumping and countervailing duties on corrosion-resistant steel from the PRC, Korea, Italy and Taiwan. Thomas and Apollo do not express a view with respect to the Petitions for the imposition of antidumping and countervailing duties on corrosion-resistant steel from India. In addition, Thomas and Apollo provide their 2014 production of the domestic like product.¹⁵

We have relied on the data provided by Petitioners, Thomas, and Apollo for purposes of measuring industry support.¹⁶

Our review of the data provided in the Petitions, General Issues Supplement, submission from Thomas and Apollo, and other information readily available to the Department indicates that Petitioners have established industry support for all of the Petitions.¹⁷ First, the Petitions established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling).¹⁸ Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(i) of the Act for all of the Petitions because the domestic producers (or workers)

¹⁴ For further discussion, see PRC AD Initiation Checklist, India AD Initiation Checklist, Italy AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment II.

¹⁵ See Letter to the Department from Thomas Steel Strip Corporation and Apollo Metals, Ltd., entitled “Corrosion-Resistant Steel Products from the People’s Republic of China, the Republic of Korea, Italy, and Taiwan: Statement of Support for the Petitions and Comments Concerning Nickel-Plated Steel Products,” dated June 12, 2015.

¹⁶ See Italy AD Initiation Checklist, India AD Initiation Checklist, PRC AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment II.

¹⁷ See Italy AD Initiation Checklist, India AD Initiation Checklist, PRC AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment II.

¹⁸ See section 732(c)(4)(D) of the Act; see also Italy AD Initiation Checklist, India AD Initiation Checklist, PRC AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment II.

who support each of the Petitions account for at least 25 percent of the total production of the domestic like product.¹⁹ Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 732(c)(4)(A)(ii) of the Act for all of the Petitions because the domestic producers (or workers) who support each of the Petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petitions.²⁰ Accordingly, the Department determines that the Petitions were filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

The Department finds that Petitioners filed the Petitions on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to the AD investigations that they are requesting the Department initiate.²¹

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (NV). In addition, Petitioners allege that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.²² Petitioners contend that the industry's injured condition is illustrated by reduced market share; underselling and price suppression or depression; lost sales and revenues; oversupply and inventory overhang in the U.S. market; and adverse impact on domestic industry performance.²³

¹⁹ See Italy AD Initiation Checklist, India AD Initiation Checklist, PRC AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment II.

²⁰ *Id.*

²¹ *Id.*

²² See Volume I of the Petitions, at 24 (footnote 87) and Exhibit I-27.

²³ See Volume I of the Petitions, at 17-19, 24-43 and Exhibits I-5, I-12 and I-18 through I-27; see also General Issues Supplement, at 1 and Exhibits Supp. I-18, Supp. I-25, Supp. I-26, and Supp. I-28.

We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation.²⁴

Allegations of Sales at Less-Than-Fair Value

The following is a description of the allegations of sales at less-than-fair value upon which the Department based its decision to initiate investigations of imports of corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan. The sources of data for the deductions and adjustments relating to U.S. price and NV are discussed in greater detail in the country-specific initiation checklists.

Export Price

For Italy, India, Korea, the PRC and Taiwan, Petitioners based EP U.S. prices on price quotes/offers for sales of corrosion-resistant steel produced in, and exported from, the subject country.²⁵ Petitioners made deductions from U.S. price for movement expenses consistent with the delivery terms.²⁶ Where applicable, Petitioners also deducted from U.S. price trading company/distributor/reseller mark-ups estimated using Petitioners' knowledge of the U.S. industry.²⁷

Normal Value

For Italy, India, Korea, and Taiwan Petitioners provided home market price information obtained through market research for corrosion-resistant steel produced in and offered for sale in

²⁴ See PRC AD Initiation Checklist, India AD Initiation Checklist, Italy AD Initiation Checklist, Korea AD Initiation Checklist, and Taiwan AD Initiation Checklist, at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Antidumping and Countervailing Duty Petitions Covering Certain Corrosion-Resistant Steel Products from the People's Republic of China, India, Italy, the Republic of Korea, and Taiwan.

²⁵ See Italy AD Initiation Checklist; India AD Initiation Checklist; Korea AD Initiation Checklist; PRC AD Initiation Checklist, and Taiwan AD Initiation Checklist.

²⁶ *Id.*

²⁷ *Id.*

each of these countries.²⁸ For each country, Petitioners provided an affidavit or declaration from a market researcher for the price information.²⁹ Additionally, Petitioners made deductions for movement expenses consistent with the terms of delivery, where applicable.³⁰ For India, Petitioners made a distributor mark-up adjustment to the price.³¹ Petitioners made no other adjustments to the prices. For India, Petitioners based NV on the adjusted price. For Italy, Korea and Taiwan, Petitioners alleged that sales of corrosion-resistant steel in the respective home markets were made at prices below the cost of production. See below for discussion of NV based on constructed value.

With respect to the PRC, Petitioners stated that the Department has long treated the PRC as a non-market economy (NME) country.³² In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production (FOPs) valued in a surrogate market economy country, in accordance with section 773(c) of the Act. In the course of this investigation, all parties, and the public, will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioners claim that South Africa is an appropriate surrogate country because it is a market economy that is at a level of economic development comparable to that of the PRC, it is a

²⁸ See AD Italy Initiation Checklist; India AD Initiation Checklist; Korea AD Initiation Checklist; and Taiwan AD Initiation Checklist.

²⁹ *Id.*; see also Memorandum to the File, "Telephone Call to Foreign Market Researcher," on each of the country-specific records, dated June 10, 2015.

³⁰ *Id.*

³¹ See AD India Initiation Checklist.

³² See Volume II of the Petitions, at 1-2.

significant producer of the merchandise under consideration, and the data for valuing FOPs, factory overhead, selling, general and administrative (SG&A) expenses and profit are both available and reliable.³³

Based on the information provided by Petitioners, we believe it is appropriate to use South Africa as a surrogate country for initiation purposes. Interested parties will have the opportunity to submit comments regarding surrogate country selection and, pursuant to 19 CFR 351.301(c)(3)(i), will be provided an opportunity to submit publicly available information to value FOPs within 30 days before the scheduled date of the preliminary determination.³⁴

Factors of Production

Petitioners based the FOPs for materials, labor, and energy on a petitioning U.S. producer's consumption rates for producing corrosion-resistant steel as they did not have access to the consumption rates of PRC producers of the subject merchandise.³⁵ Petitioners note that the selected U.S. producer was chosen because, like the Chinese producer of the U.S. price offers, the U.S. producer is a large, integrated producer of subject merchandise.³⁶ Petitioners value the estimated factors of production using surrogate values from South Africa.³⁷

Valuation of Raw Materials

Petitioners valued the FOPs for raw materials (*e.g.*, coke, iron ore, aluminum, zinc) using reasonably available, public import data for South Africa from the Global Trade Atlas (GTA) for the period of investigation.³⁸ Petitioners excluded all import values from countries previously determined by the Department to maintain broadly available, non-industry-specific export

³³ *Id.* at 2.

³⁴ Note that 19 CFR 351.301(c)(3)(i) is the revised regulation published on April 1, 2013. *See* <http://www.gpo.gov/fdsys/pkg/CFR-2013-title19-vol3/html/CFR-2013-title19-vol3.htm>.

³⁵ *See* Volume II of the Petitions, at Exhibit II-14 (page 1).

³⁶ *Id.*

³⁷ *Id.*, at Exhibit II-14.

³⁸ *See* Volume II of the Petitions, at Exhibit II-14(D).

subsidies and from countries previously determined by the Department to be NME countries. In addition, in accordance with the Department's practice, the average import value excludes imports that were labeled as originating from an unidentified country. The Department determines that the surrogate values used by Petitioners are reasonably available and, thus, are acceptable for purposes of initiation.

Valuation of Labor

Petitioners valued labor using South African labor data published by the International Labor Organization (ILO).³⁹ Specifically, Petitioners relied on industry-specific wage rate data from Chapter 5A of the ILO's "Labor Cost in Manufacturing" publication as South African wage information was not available in Chapter 6A of the ILO's "Yearbook of Labor Statistics" publication.⁴⁰ As the South African wage data are monthly data from 2012 in South African Rand, Petitioners converted the wage rates to hourly, adjusted for inflation and then converted to U.S. Dollars using the average exchange rate during the POI.⁴¹ Petitioners then applied that resulting labor rate to the labor hours expended by the U.S. producer of corrosion-resistant steel.⁴²

Valuation of Energy

Petitioners used public information, as compiled by Eskom (a South African electricity producer), to value electricity.⁴³ This 2014-2015 Eskom price information was converted to U.S. Dollars and from kilowatt hours to thousand kilowatt hours in order to be compared to the U.S. producer factor usage rates.⁴⁴ The cost of natural gas in South Africa was calculated from the

³⁹ *Id.*, at Exhibit II-14 (page 5 and Exhibit II-14(E)).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*, at Exhibit II-14(I).

⁴³ *Id.*, at Exhibit II-14(F).

⁴⁴ *Id.*, at Exhibit II-14 (page 7 and Exhibit II-14(F)).

average unit value of imports of liquid natural gas for the period, as reported by GTA.⁴⁵ Using universal conversion factors, Petitioners converted that cost to the U.S. producer-reported factor unit of million British thermal units to ensure the proper comparison.⁴⁶

Valuation of Factory Overhead, Selling, General and Administrative Expenses, and Profit

Petitioners calculated surrogate financial ratios (*i.e.*, manufacturing overhead, SG&A expenses, and profit) using the 2013 audited financial statement of EVRAZ Highveld Steel and Vanadium, a South African producer of comparable merchandise (*i.e.*, flat-rolled steel).⁴⁷

Sales-Below-Cost Allegation

For Italy, Korea, and Taiwan, Petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of corrosion-resistant steel in the respective home markets were made at prices below the fully-absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct country-wide sales-below-cost investigations.⁴⁸ For India, Petitioners did not make a sales-below-cost allegation.

With respect to sales-below-cost allegations in the context of investigations, the Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act states that an allegation of sales below COP need not be specific to individual exporters or producers.⁴⁹ The SAA states further that “Commerce will consider allegations of below-cost sales in the aggregate for a foreign country . . . on a country-wide basis for purposes of initiating an antidumping investigation.”⁵⁰ Consequently, the Department intends to consider Petitioners’ allegations on a country-wide basis for each respective country for purposes of this initiation.

⁴⁵ *Id.*, at Exhibit II-14(G).

⁴⁶ *Id.*, at Exhibit II-14 (page 7).

⁴⁷ *Id.*, at Exhibit II-14 (page 8 and Exhibit II-14(H)).

⁴⁸ See Italy AD Initiation Checklist; Korea AD Initiation Checklist; and Taiwan AD Initiation Checklist.

⁴⁹ See SAA, H.R. Doc. No. 103-316, at 833 (1994).

⁵⁰ *Id.*

Finally, the SAA provides that section 773(b)(2)(A) of the Act retains the requirement that the Department have “reasonable grounds to believe or suspect that below-cost sales have occurred before initiating such an investigation.”⁵¹ “Reasonable grounds” will exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices.⁵² As explained below, we find reasonable grounds exist that indicate home market sales in Italy, Korea, and Taiwan, were at below-cost prices.

Cost of Production

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing (COM); SG&A expenses; financial expenses; and packing expenses. Petitioners calculated COM based on Petitioners’ experience adjusted for known differences between their industry in the United States and the industries of the respective country (*i.e.*, Italy, Korea, and Taiwan), during the proposed POI.⁵³ Using publicly-available data to account for price differences, Petitioners multiplied their usage quantities by the submitted value of the inputs used to manufacture corrosion-resistant steel in each country.⁵⁴ For Italy and Korea, to determine factory overhead, SG&A, and financial expense rates, Petitioners relied on financial statements of producers of comparable merchandise operating in the respective foreign country.⁵⁵ For Taiwan, Petitioners used the factory overhead rate experienced at its own factory. To determine SG&A and financial expense rates for Taiwan, Petitioners relied on financial statements of a producer of comparable merchandise operating in Taiwan.

⁵¹ *Id.*

⁵² *Id.*

⁵³ See Italy AD Initiation Checklist; Korea AD Initiation Checklist; and Taiwan AD Initiation Checklist.

⁵⁴ *Id.*

⁵⁵ *Id.*

Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the most comparable product, we find reasonable grounds to believe or suspect that sales of the foreign like products were made at prices that are below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating country-wide cost investigations on sales of corrosion-resistant steel from Italy, Korea, and Taiwan.

Normal Value Based on Constructed Value

For Italy, Korea, and Taiwan, because they alleged sales below cost, pursuant to sections 773(a)(4), 773(b), and 773(e) of the Act, Petitioners calculated NV based on constructed value (CV). Petitioners calculated CV using the same average COM, SG&A, and financial expenses, to calculate COP.⁵⁶ Petitioners relied on the financial statements of the same producers that they used for calculating manufacturing overhead, SG&A, and financial expenses to calculate the profit rate.⁵⁷

Fair Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan, are being, or are likely to be, sold in the United States at less-than-fair value. Based on comparisons of EP to NV in accordance with section 773(a) of the Act, the estimated dumping margin(s) for corrosion-resistant steel range from: 1) Italy range from 119.68 to 126.75 percent;⁵⁸ 2) India is 71.09 percent;⁵⁹ 3) Korea range from 46.80 to 86.34 percent;⁶⁰ 4) Taiwan is 86.17 percent.⁶¹

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ See Italy AD Initiation Checklist.

⁵⁹ See India AD Initiation Checklist.

⁶⁰ See Korea AD Initiation Checklist.

⁶¹ See Taiwan AD Initiation Checklist.

Based on comparisons of EP to NV, in accordance with section 773(c) of the Act, the estimated dumping margins for corrosion-resistant steel from the PRC range from 114.06 to 126.34 percent.⁶²

Initiation of Less-than-Fair-Value Investigations

Based upon the examination of the AD Petitions on corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan, we find that Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating AD investigations to determine whether imports of corrosion-resistant steel from Italy, India, the PRC, Korea, and Taiwan, are being, or are likely to be, sold in the United States at less-than-fair value. In accordance with section 733(b)(1)(A) of the Act and 19 CFR 351.205(b)(1), unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Respondent Selection

Petitioners named seven companies from Italy, 26 companies from India, 11 companies from Korea, and eight companies from Taiwan, as producers/exporters of corrosion-resistant steel.⁶³ Following standard practice in AD investigations involving ME countries, the Department intends to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports under the appropriate HTSUS numbers listed in the “Scope of Investigations” section above. We intend to release the CBP data under Administrative Protective Order (APO) to all parties with access to information protected by APO within five days of publication of this *Federal Register* notice and make our decision regarding respondent selection within 20 days of publication of this notice.

⁶² See PRC AD Initiation Checklist.

⁶³ See the Volume I of the Petitions, at 15 and Exhibit 1-8 through I-11.

We invite interested parties to comment on this issue. Parties wishing to comment must do so within five days of the publication of this notice in the *Federal Register*. Comments must be filed electronically using ACCESS. An electronically-filed document must be received successfully in its entirety by the Department's electronic records system, ACCESS, by 5 p.m. EDT by the date noted above.

With respect to the PRC, Petitioners named 147 companies as producers/exporters of corrosion-resistant steel.⁶⁴ In accordance with our standard practice for respondent selection in cases involving NME countries, we intend to issue quantity-and-value (Q&V) questionnaires to each potential respondent and base respondent selection on the responses received. In addition, the Department will post the Q&V questionnaire along with filing instructions on the Enforcement and Compliance website at <http://www.trade.gov/enforcement/news.asp>.

Exporters/producers of corrosion-resistant steel from the PRC that do not receive Q&V questionnaires by mail may still submit a response to the Q&V questionnaire and can obtain a copy from the Enforcement and Compliance website. The Q&V response must be submitted by all PRC exporters/producers no later than July 7, 2015, which is two weeks from the signature date of this notice. All Q&V responses must be filed electronically via ACCESS.

Separate Rates

In order to obtain separate-rate status in an NME investigation, exporters and producers must submit a separate-rate application.⁶⁵ The specific requirements for submitting a separate-rate application in the PRC investigation are outlined in detail in the application itself, which is available on the Department's website at <http://enforcement.trade.gov/nme/nme-sep-rate.html>.

⁶⁴ See the Volume I of the Petitions, at 15 and Exhibit 1-8.

⁶⁵ See Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigation involving Non-Market Economy Countries (April 5, 2005), available at <http://enforcement.trade.gov/policy/bull05-1.pdf> (Policy Bulletin 05.1).

The separate-rate application will be due 30 days after publication of this initiation notice.⁶⁶

Exporters and producers who submit a separate-rate application and have been selected as mandatory respondents will be eligible for consideration for separate-rate status only if they respond to all parts of the Department's AD questionnaire as mandatory respondents. The Department requires that respondents from the PRC submit a response to both the Q&V questionnaire and the separate-rate application by their respective deadlines in order to receive consideration for separate-rate status.

Use of Combination Rates

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in an NME investigation. The Separate Rates and Combination Rates Bulletin states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME Investigation will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of "combination rates" because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.⁶⁷

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), copies of the public version of the Petitions have been provided to the Taiwan Authorities and the

⁶⁶ Although in past investigations this deadline was 60 days, consistent with section 351.301 (a) of the Department's regulations, which states that "the Secretary may request any person to submit factual information at any time during a proceeding," this deadline is now 30 days.

⁶⁷ See Policy Bulletin 05.1 at 6 (emphasis added).

governments of Italy, India, the PRC, and Korea via ACCESS. To the extent practicable, we will attempt to provide a copy of the public version of the Petitions to each exporter named in the Petitions, as provided under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will preliminarily determine, within 45 days after the date on which the Petitions were filed, whether there is a reasonable indication that imports of corrosion-resistant steel from Italy, India, the PRC, Korean, and/or Taiwan are materially injuring or threatening material injury to a U.S. industry.⁶⁸ A negative ITC determination for any country will result in the investigation being terminated with respect to that country;⁶⁹ otherwise, these investigations will proceed according to statutory and regulatory time limits.

Submission of Factual Information

Factual information is defined in 19 CFR 351.102(b)(21) as: (i) evidence submitted in response to questionnaires; (ii) evidence submitted in support of allegations; (iii) publicly available information to value factors under 19 CFR 351.408(c) or to measure the adequacy of remuneration under 19 CFR 351.511(a)(2); (iv) evidence placed on the record by the Department; and (v) evidence other than factual information described in (i)–(iv). The regulation requires any party, when submitting factual information, to specify under which subsection of 19 CFR 351.102(b)(21) the information is being submitted and, if the information is submitted to rebut, clarify, or correct factual information already on the record, to provide an explanation identifying the information already on the record that the factual information seeks to rebut,

⁶⁸ See section 733(a) of the Act.

⁶⁹ *Id.*

clarify, or correct. Time limits for the submission of factual information are addressed in 19 CFR 351.301, which provides specific time limits based on the type of factual information being submitted. Please review the regulations prior to submitting factual information in these investigations.

Extensions of Time Limits

Parties may request an extension of time limits before the expiration of a time limit established under Part 351, or as otherwise specified by the Secretary. In general, an extension request will be considered untimely if it is filed after the expiration of the time limit established under Part 351 expires. For submissions that are due from multiple parties simultaneously, an extension request will be considered untimely if it is filed after 10:00 a.m. on the due date. Under certain circumstances, we may elect to specify a different time limit by which extension requests will be considered untimely for submissions which are due from multiple parties simultaneously. In such a case, we will inform parties in the letter or memorandum setting forth the deadline (including a specified time) by which extension requests must be filed to be considered timely. An extension request must be made in a separate, stand-alone submission; under limited circumstances we will grant untimely-filed requests for the extension of time limits. Review *Extension of Time Limits; Final Rule*, 78 FR 57790 (September 20, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-09-20/html/2013-22853.htm>, prior to submitting factual information in this segment.

Certification Requirements

Any party submitting factual information in an AD or CVD proceeding must certify to the accuracy and completeness of that information.⁷⁰ Parties are hereby reminded that revised certification requirements are in effect for company/government officials, as well as their

⁷⁰ See section 782(b) of the Act.

representatives. Investigations initiated on the basis of petitions filed on or after August 16, 2013, and other segments of any AD or CVD proceedings initiated on or after August 16, 2013, should use the formats for the revised certifications provided at the end of the *Final Rule*.⁷¹ The Department intends to reject factual submissions if the submitting party does not comply with applicable revised certification requirements.

Notification to Interested Parties

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305. On January 22, 2008, the Department published *Antidumping and Countervailing Duty Proceedings: Documents Submission Procedures; APO Procedures*, 73 FR 3634 (January 22, 2008). Parties wishing to participate in these investigations should ensure that they meet the requirements of these procedures (*e.g.*, the filing of letters of appearance as discussed in 19 CFR 351.103(d)).

This notice is issued and published pursuant to section 777(i) of the Act.

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

Dated: June 23, 2015.

Appendix I

⁷¹ See *Certification of Factual Information to Import Administration during Antidumping and Countervailing Duty Proceedings*, 78 FR 42678 (July 17, 2013) (*Final Rule*); see also frequently asked questions regarding the *Final Rule*, available at http://enforcement.trade.gov/tlei/notices/factual_info_final_rule_FAQ_07172013.pdf.

Scope of the Investigations

The products covered by these investigations are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a width of 12.7 mm or greater, regardless of form of coil (*e.g.*, in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.*, products which have been “worked after rolling” (*e.g.*, products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

(1) where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and

(2) where the width and thickness vary for a specific product (*e.g.*, the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

Steel products included in the scope of these investigations are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten (also called wolfram), or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels and high strength low alloy (HSLA) steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum.

Furthermore, this scope also includes Advanced High Strength Steels (AHSS) and Ultra High Strength Steels (UHSS), both of which are considered high tensile strength and high elongation steels.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of these investigations unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these investigations:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead ("terne plate"), or both chromium and chromium oxides ("tin free steel"), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion-resistant flat-rolled steel products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20%-60%-20% ratio.

The products subject to the investigations are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000.

The products subject to the investigations may also enter under the following HTSUS item numbers: 7210.90.1000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.91.0000, 7225.92.0000, 7225.99.0090, 7226.99.0110, 7226.99.0130, 7226.99.0180, 7228.60.6000, 7228.60.8000, and 7229.90.1000.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of the investigations is dispositive.

[FR Doc. 2015-16061 Filed: 6/29/2015 08:45 am; Publication Date: 6/30/2015]